

How To Guide: Implement innovative appliance financing programs for low-income consumers

This activity helps low-income consumers (including the "working poor") to purchase energy-efficient appliances through financial assistance and education. Low-income consumers are often unable to afford new, high-efficiency appliances and instead purchase older appliances with a lower first cost, but greater operating expense. Current loans to low-income consumers have high interest rates, or are not available at all. These consumers represent an under-served market and need assistance to access the benefits of energy efficiency.

Low-income consumers spend a disproportionate amount of their total annual income on energy (14%) compared with middle-income consumers (3.5%). Energy-efficient appliances can create cost savings for low-income households and improve economic independence. These benefits multiply for the community by increasing economic activity, conserving energy, and reducing emissions from power generation.

Desired Outcome:

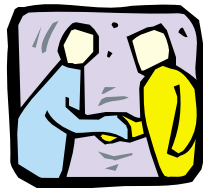
Increase in number of low-income consumers who purchase energy-efficient appliances through innovative financing programs.



Program Design

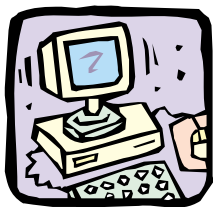
Steps

1. Examine current appliance purchasing/financing patterns of low-income consumers and identify target market.
2. Determine baseline data and develop evaluation mechanism to track program results.
3. Form partnerships and work with partners on program design.
4. Determine where low-income consumers purchase appliances. Consider both new and used appliance retailers.
5. Determine method for engaging target market in program; earn trust of low-income consumer with clear, simple materials; smooth, transparent process; and respectful treatment.
6. Enlist partners for personal marketing to low-income families.
7. Develop several alternative financing approaches (e.g., rebates to consumers, tax credits to landlords or vendors, loans financed with energy savings, payment in-kind).
8. Test market the different approaches and widely implement the most effective one(s).
9. Evaluate progress and make any necessary modifications.
10. Look for opportunities to transition financing role to private sector.



Partners and Possible Incentives

- **Appliance manufacturers or retailers:** May help fund and promote program as a goodwill gesture; promotions may spur sales from other markets as well.
- **Community-based organizations, neighborhood organizations, consumer advocates, low-income advocates, churches, senior citizen groups:** Shared goal to improve economic independence of low-income consumers; can align efforts to achieve common goal.
- **Utility companies:** Load reduction; reduction in arrearage (and related costs) resulting from consumer ability to pay lower energy bills.
- **Landlords/Building owners:** Improve energy management in rental buildings; longer-lasting appliances.
- **Financial institutions:** Increased economic activity benefits business; improving economic independence of a consumer group creates potential new customers for institution. Programs for low-income can become part of their community reinvestment act requirements.



Resources Available

- Resources offered by partners (previous page)
- The National Consumer Law Center (www.nclc.org) Helps consumers, their advocates, and public policy makers to use consumer laws on behalf of low-income Americans seeking economic justice.
- Oak Ridge National Laboratory web site (www.ornl.gov) has a variety of documents which provide background information and guidance on restructuring.
- Low Income Home Energy Assistance Program (www.ncat.org/liheap) Information on low-income energy issues.
- National Rural Electric Cooperative Association (www.nreca.org) Information about consumer-owned cooperative electric utilities. All partners are listed.
- The Utility Connection (www.utilityconnection.com/page7a.html) Refers to all public electric, gas, water, and financial resources sites.
- Community Reinvestment Act (www.bog.frb.fed.us/DCCA/CRA/) Federal Reserves Board home page about the CRA.
- Community Reinvestment Fund (www.crfusa.com) Excellent site with information about CRFs and links to resources.
- The National Community Reinvestment Coalition (www.ncrc.org) Another quality site with numerous community reinvestment links.
- Residential Energy Services Network (www.natresnet.org) Information on increasing the available financing options for home energy improvements.
- The Bullitt Foundation (www.bullitt.org) Targeting lower economic rural and urban communities.
- David and Lucile Packard Foundation (www.packfound.org) Supports non-profit organizations involved in various activities including environmental.
- The Energy Foundation (www.ef.org) Partnership of foundations providing grants dedicated to sustainable energy.
- Ford Foundation (www.fordfound.org) Asset building and community development programs.
- The Foundation for Global Community (www.globalcommunity.org) Dedicated to sustainable communities.
- The John D. and Catherine T. MacArthur Foundation (www.macfdn.org/index.htm) Grant making information for their "Program on Global Security and Sustainability."
- The Joyce Mertz-Gilmore Foundation (www.jmgf.org) Interested in promoting development and efficient use of electric energy.
- The McKnight Foundation (www.mcknight.org) Programs dedicated to protecting natural resources and encouraging responsible use.
- The Pew Charitable Trusts (www.pewtrusts.com) Interested in promoting policies and programs aimed at atmosphere, forest, and marine.
- The Rockefeller Foundation (www.rockfound.org) Focus on low-income community improvement.
- The Interstate Renewable Energy Council (www.irecusa.org) Provides an extensive resource guide on latest technology and information for renewables.



Resources Needed

- Sufficient Staff
- Funds



Key Conditions/ Factors

- "Seed" money to start financing options



Special Opportunities for Success

- Utility restructuring may generate funding for program (systems benefit charges)
- Electricity reliability concerns may increase support for appliance efficiency programs



Success Boosters

- Strong support from partners



Technology Transfer Plan

- Share results and information with partners and national associations; post on web site
- Presentations to other States at conferences, mentoring, peer exchange opportunities, etc.



Barriers and Potential Solutions

- **Low-income consumers have less access to technical resources and web-based information:** Provide information through multiple channels, including brochures, verbal announcements at community action agencies, churches, etc.
- **Low-income advocates sometimes resist these programs, viewing them as turning grant funds into loan funds:** Demonstrate goal to increase economic independence and ability of program to save money for low-income consumers; enlist advocates' support.
- **Financial institutions may resist offering small loans:** Work with financial institutions to include programs into their community reinvestment plans.
- **Many low-income consumers distrust financial institutions or lack experience dealing with them:** Clearly explain process, assist with forms. Make it as simple to participate as possible.



Metrics

Primary:

- Number of participants who receive financing through program
- Number of appliances purchased through financing program
- Reduction in low-income consumers' energy bills

Other Indicators:

- Reduction in energy consumption due to replacement of less-efficient appliances
- Number of rebates offered and given